

## **VA System Overloaded by Patients**

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WASHINGTON - The Department of Veterans Affairs followed private health care down a path of expanded outpatient care and home nursing through the 1990s, cutting hospital treatments in half and holding down spending on veterans.

The VA system, the nation's largest health care provider, dramatically improved.

But on a typical day last week, 183 patients occupied beds at the Malcom Randall VA Medical Center in Gainesville. The director of the VA network covering North Florida and South Georgia, Fred Malphurs, said that was probably near a record.

The inpatient count was 18 percent above the average daily census last year and 54 percent higher than the average in 2001.

"The demand for beds has risen higher than the benefits of employing all those practices," he said of clinics and better drugs. "We've never been busier outpatient and we've never been busier inpatient. This is a trend that's just slapped us silly here in Florida."

That story is being repeated at many VA hospitals, especially in growing parts of the country.

The VA is struggling with trends it has failed to predict in recent years. According to VA data released last week, hospital visits increased far more than predicted for 2005 and patients are not being diverted from nursing home care to home and community-based services, as the VA has wanted.

VA officials have cited returning veterans from Iraq and Afghanistan as a major factor in a \$2.8 billion budget shortfall for fiscal 2005 and 2006, which angry lawmakers corrected last year, but other realities appear more significant. With a huge budget increase proposed for 2007, questions remain about whether the department is back on track.

Despite a 10 percent jump in acute-care hospital visits in 2005, for example, the VA has gone back to predicting less than 3 percent annual increases for 2006 and 2007.

Spending at the VA has been a shock to the Bush administration. Taxpayers are paying much more for VA health care - more than 60 percent higher than five years ago under the \$31.4 billion in Bush's 2007 budget.

Yet Michael O'Rourke, a health care policy expert for the Veterans of Foreign Wars, says the VA is in trouble.

"The whole system is saturated," he said.

The VA system is different from private-sector health care. It is closed, for one thing. Its population is older, lower income and sicker.

Some experts are asking if the VA's rebounding inpatient demand after a decade of steep declines foreshadows a broader trend as baby boomers age.

Malphurs, for example, called the VA a "canary in the coal mine." Some private hospitals are expanding bed capacity, but the evidence is mixed about the effect aging boomers will have.

Even some health care experts who caution against making direct comparisons with private health care say the VA's struggles are worth noting - if only because government programs such as Medicare and Medicaid are picking up ever larger shares of the nation's health-care tab.

The VA system has 157 hospitals, 862 ambulatory sites and clinics, 134 nursing homes, and other facilities that make it the largest health care system in the country. It is uniquely situated to control how care is delivered, but it's having trouble.

Last year, the department sparked uproar on Capitol Hill when it revealed a combined \$2.8 billion shortfall in its 2005 and 2006 budgets. Lawmakers provided most of the money, but they were angry. Last week, the Bush administration proposed a \$2.7 billion increase for VA health care in 2007, an attempt to avoid a repeat.

"This is the largest increase I've ever seen a secretary offer in his budget, and this is probably a reality because of the war on terrorism and the war in Iraq," Rep. Cliff Stearns, a Florida Republican, said at a hearing last week of the House Veterans Affairs Committee. Vets returning from Iraq and Afghanistan account for about 100,000 patients a year. But the VA named them the beneficiaries of less than a fifth of the \$2.8 billion that the VA sought last year to cover its shortfalls, or \$500 million.

About \$826 million was for shortfalls in nursing-home care, and nearly \$1.2 billion was for rising numbers of low income and disabled veterans, many of them with complicated problems that cost more than anticipated to treat.

In 2005, the VA predicted an increase of less than 3 percent in acute hospital treatment and no growth in average bed counts for fiscal 2005. This month, budget documents for 2007 showed the acute care stays grew by 10 percent and the average bed count rose by 4 percent.

The department had predicted steady declines in nursing home patients, of 9 percent in 2005 to 79,800. The department instead got a 6 percent increase that year to 99,000.

The differences are partly due to Congress's refusal to enact new fees and other policies that VA expected to prompt some vets to leave the system.

But experts inside and outside the VA say the aging veterans population is a significant factor. Congress also compensated financially for refusing to implement those policies, and programs to boost home and community-based care were approved.

Some Republicans who blasted the VA last year for its miscalculations praised the 2007 budget.

"This budget sends the right message to our men and women in uniform," said Rep. Steve Buyer of Indiana, chairman of the House veterans committee, "that if you're hurt or wounded, the VA will be there for you."

Democrats said they remain skeptical.

The 2007 budget again assumes that hospital workloads would increase by less than 3 percent in both 2006 and 2007, there would be fewer nursing home patients than in 2005, and that home and community-based long-term care would jump.

In a letter to leaders of the House veterans committee last week, an investigator with the Government Accountability Office said the administration artificially deflated spending estimates in recent budgets and relied heavily on expected savings through efficiency initiatives that have not panned out. The investigator said in an interview that the VA appears to be doing better, but how much better is yet to be seen.

Veterans complain the 2007 budget still relies on speculative savings and higher collections from insurance companies.

Art Klein, a VA policy official on enrollment matters, said the department would adjust its numbers if they prove too conservative, but he said outpatient care would do nothing but increase.

Outpatient visits have more than doubled since 1990. Hospital visits are half their number then, although they have been rising since bottoming out in 2000.

"I think that's going to continue," Klein said of outpatient growth, "but as our veterans increase in age, even though we can delay their acute care needs through great pharmaceuticals and great outpatient care, eventually they're going to need inpatient acute care."